

Country: Chile

U 16688

Subject: General Business Conditions/Foreign Exchange/Foreign Trade

Place Acquired by Source: -----

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Source Description: Highly placed executive of a US financial institution
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1. "General Business Conditions: Production has increased generally on a seasonal basis with the end of the summer vacation period. On the whole, sales and collections are reported good with the exception of construction materials, sales of which have dropped substantially in recent months [1953], reflecting government announcements of price reductions on such materials and restrictions on residential building. Primarily because of the paying out of government funds, assisted by Central Bank financing, bank credit has been a little easier than in previous months. Official statistics show that the industrial production index for the full year 1952 was 212.8 compared with 193.4 for 1951 (base year 1936/38=100). The December 1952 index was 223 compared with 219.4 for December 1951.
2. "Foreign Exchange: Supplementing the publication of the exchange budget for 1953, Consejo Nacional de Comercio Exterior issued a detailed list of authorized and prohibited imports. Imports are divided into two main groups - Group I at the free-banking rate, and Group II at the preferential rate. Import permits are required for both groups.

The definitive figure for merchandise imports is now budgeted for a total of [US/\$399,121,317 based as follows:

Group I Free Exchange:

US\$ items	76,235,000
Items in other currencies- equiv. in US\$	101,027,600

Group II Preferential Exchange at

Ps.31 and 60 per dollar:	
US\$ items	158,729,385
Items in other currencies- equiv. in US\$	63,129,332

"During March [1953], the volume of exchange transactions in free dollars in the banks decreased substantially because of the small number of import licenses issued in this group in previous months, which caused a reduction in incoming shipments. During the latter part of March, however, following on the

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National Board of Foreign Trade ruling that free exchange could be covered immediately in order to prepay commercial credits, transactions in this class of exchange increased. Free exchange is still in abundant supply with the rate stable at 110 pesos per dollar. With the exchange budget operating at an accelerated pace, the Board made more numerous allotments of preferential exchange at the 60 peso rate.

"The demand increased for free dollars in the authorized brokers' market in which the rate moved between 132 and 145, closing on 19 March at 140 pesos per dollar.

"Demand for free sterling in the banks is still in excess of the available supply and the rate is now 338/340 compared with 336 the previous month. Free sterling in the brokers' market has moved up to 385 compared with 355/360 a month ago.

3. "Foreign Trade: The December 1952 foreign trade balance was favorable by 20.2 million dollars, bringing the favorable balance for the entire year 1952 to 82.3 million dollars compared with 43.5 million dollars in 1951. Exports in 1952 were 441 million dollars and imports 359 million dollars compared with 362 million dollars and 319 million dollars respectively for the full year 1951.

"Under the special powers granted by Law 11.151 of 5 February, the President of the Republic created a new executive department entitled Ministry of Mines to handle matters related with the growth and development of mining and petroleum production.

"A new import regulation requires that shipment must be made within 90 days of approval of the import permit if granted on the basis of payment against documents in Chile. When the permit indicates that the import is to come in on a letter of credit basis, the commercial credit must be opened within 20 days of approval of the permit."

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